

**Transcript of Opening Statement of Senate Budget Committee Chairman Kent Conrad
at Press Conference Reacting to President Bush's Proposed Fiscal Year 2003 Budget
February 4, 2002**

We have now seen the President's budget. And, you'll recall in the State of the Union, the President said that deficits would be small and short-term. But that's not what we see in his budget. What we see are deficits through the decade.

The President in his last State of the Union last year made this promise. He said, "To make sure the retirement savings of America's seniors are not diverted to any other program, my budget protects all \$2.6 trillion of the Social Security surplus for Social Security and for Social Security alone." That pledge is now inoperative.

This is what we see. The surplus without Social Security and Medicare is gone. Under the President's budget plan, we will be taking \$2.2 trillion in Social Security and Medicare trust fund money to pay for his tax cuts and to pay for his spending proposals. We believe that is a serious mistake given the fact that the baby boom generation starts to retire in just six years.

If you look in your packet, you'll see this chart that shows the percentage of Social Security trust fund surpluses that are being used for other government spending. We can see in the past, in 1996 (100%) and 1997 (100%) that was happening, in 1998 (30%) – we dramatically reduced the amount of Social Security going for other programs. In 1999 and 2000, we eliminated Social Security trust fund money from being diverted for other purposes. But, now the President is taking us back to that course for 2001, 2002, 2003, 2004. He's taking all of the Social Security trust fund money and using it for other purposes. That's just the beginning, because we see this pattern go through the entire next decade. In fact, he will be taking every penny of Medicare trust fund money and using it for other purposes – over \$500 billion according to his own calculations. He will be taking \$1.6 trillion of Social Security trust fund money and using it to pay for tax cuts and for other government programs. Again, we believe that is a serious error given the fact that the baby boomers start to retire in just six years.

Disappearance of the surplus really is dramatic and remarkable. Last year you'll recall, we were told there would be \$5.6 trillion of surpluses over the next decade. And, now in the President's budget we see that reduced by \$5 trillion.

The result is the publicly held debt, instead of being reduced to \$1.6 trillion by 2007, will be about double that amount to \$3.4 trillion. And the result of that is we will be paying about \$1 trillion more in interest over the next decade. That's a serious matter because it limits what we can do in other areas of critical priority.

The President said late last month, "There's some weird economics going on in Washington." I think he got that right. There are weird economics going on in Washington. The President talks about surpluses, but there are none. In fact what there is is deficits and debt. The President says in his budget submission that in the years 2002 through 2011 there will still be some \$600 billion of surplus.

On my way driving in this morning, I was hearing a report on the radio about Enron.

And, they said the biggest problem with Enron was that they were hiding debt -- hiding it from their shareholders, hiding it from their creditors, hiding it from themselves. I think that's exactly what the federal government is doing. The federal government is now engaged in hiding its debt and understating its debt.

Chairman Greenspan said to me one of his concerns is that we don't acknowledge the so-called contingent liability of the United States on the theory that the federal government could stop making payments under Social Security and Medicare. I think that would come as quite a surprise to the millions of Americans who have paid their Social Security and Medicare taxes in good faith with the understanding they were going to get something in return. Those are not contingent liabilities. They are real liabilities. There are no surpluses. It's fooling the American people, it's fooling perhaps ourselves. Perhaps even the administration is fooling itself.

I'd direct your attention to their own budget summary document that was put out. They said at the beginning of this summary table, "This set of Summary Tables corrects the omission of minus signs in this section of Budget. It replaces the entire Summary Tables section." Well, you know, it's understandable that perhaps a mistake was made and minus signs were left out. It's interesting to look at this document now. It says on-budget surplus years 2002 through 2007 -- there is no surplus in any one of those years. It's all deficits, all additional debt. I think we've got to the point that language is fooling people and perhaps even fooling decision makers. The fact is, there are no surpluses. There's only deficit and debt as far as the eye can see under the President's plan. And still, he proposes more spending and more tax cuts. Additional spending of over \$700 billion. Additional tax cuts of about \$600 billion. And so the result is more deficits and more debt.

Again, I think it is critically important that we as a nation think about the circumstance we face and understand that the baby boomers start to retire in just six years. And the question we need to ask -- we need to ask the President, we need to ask ourselves -- is how does this add up for the long-term. Are we really going to finance the federal government over the next decade by taking over \$2 trillion of Medicare and Social Security money to pay for even more tax cuts and more spending? Is that really what we should do?